

# Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA): A Right Based Initiative towards Poverty Alleviation through Employment Generation

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**Abstract:** *Alleviation of poverty remains a major challenge before the Government. In the Indian context, rural development assumes greater significance as 72.22 per cent (according to the 2001 census) of its population still live in rural areas. Most of the people living in rural areas draw their livelihood from agriculture and allied sectors (60.41% of total work force), and poverty mostly persists here (25.7 % in 2011-12). India's anti-poverty strategy comprises of a wide range of poverty alleviation and employment generation programmes, many of which have been in operation for several years and have been strengthened to generate more employment, create assets, impart technical and entrepreneurial skills and raise the income level of poor. The most significant rural development initiative of the Eleventh Plan period was the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). Over the last seven years, MGNREGA has delivered the largest employment programme in human history, which is unlike any other in its scale, architecture and thrust. Its bottom up, people-centered, demand driven, self-selecting, right-based design is new and unprecedented. Since its inception MGNREGA has generated 15,575 crore person- days of employment upto December, 2013. From the financial year 2006-07 upto financial year 2013-14 (upto December 2013), over Rs.1, 55,000crore has been spent on wages. The scheme's notified wages have increased across all states since 2006. The average wage earned per beneficiary has risen from Rs.65 per person per day to Rs.124 by 2013.*

**Keywords:** Poverty, MGNREGA, Wages, Person days, Job cards, Gram Panchayat

## 1. Introduction

Targeting poverty through employment generation using rural works has had a long history in India that began in the 1960s. After the first three decades of experimentation, the government launched major schemes like JRY, EAS, FFW, JGSY and SGRY that were forerunners to MGNREGA. The theme of the government approach has been to merge old schemes to introduce new ones, while retaining the basic objective of providing additional wage employment involving un- skilled manual work and also to create durable assets. Evolving the design of the wage employment programmes to more effectively fight poverty, the Central Government formulated the National Rural Employment Guarantee Act (NREGA) in 2005. In contrast to the earlier wage employment programmes, MGNREGA, as per its definition guaranteed employment as a legal right. The objective of MGNREGA is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year, to every household whose adult members volunteer to do unskilled manual work. In addition to this, the aim of MGNREGA is to create durable assets that would augment the basic resources available to the poor. At minimum wage rate and within 5 km. radius of the village, the employment under MGNREGA is an entitlement that creates an obligation on the government failing which an unemployment allowance is to be paid within 15 days. Priority is given to women, such that at least one- third of the beneficiaries under the scheme are women.

## 2. Implementation

With its legal frame work and right- based approach, NREGA provides employment to those who demand it and is a paradigm shift from earlier programmes. Notified on September 7, 2005, the Act was implemented in a phased manner. In its first phase, implemented on February 2, 2006, the Act covered 200 districts. In the second phase in 2007-08, the Act was extended to 130 additional districts and, in its third phase, all the remaining rural areas have been notified w.e.f. April 1, 2008. Along with community participation, the MGNREGA is to be implemented mainly by the Gram Panchayats. The UPA Government on 2<sup>nd</sup> October, 2009 renamed NREGA as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on the occasion of Mahatma Gandhi's 140<sup>th</sup> birth anniversary.

## 3. Objectives of the Act

- Provide, on demand, not less than one hundred days of unskilled manual work in a financial year to every household in rural areas;
- Create productive assets of prescribed quality and durability through wage employment;
- Strengthen the livelihood resource base of the rural poor;
- Proactively ensure social inclusion; and
- Strengthen panchayat raj institutions

#### 4. Features of the Act

- 1) The adult member of every household residing in any rural area and willing to do unskilled manual work may submit the names, age and the address of the household to the Gram Panchayat at the village level for registration of their household.
- 2) Under the Act, each household is entitled to a 100 days of employment every year.
- 3) After due verification of place of residence and age of the member/s (only adult members are eligible for employment), the registered household is issued a Job Card.
- 4) A Job Card is to be issued within 15 days of registration. Job Card forms the basis of identification for demanding employment.
- 5) Application for work can be oral or written and made to the Ward member or to the Gram Panchayat or to the Programme Officer or any person authorized by the State Government.
- 6) The Gram Panchayat / Programme Officer or authorized person will issue a dated receipt of the written application for employment, against which the guarantee of providing employment within 15 days operates.
- 7) In case employment is not provided within fifteen days from the date of registration of the demand for work, he/she shall be entitled to a daily unemployment allowance.
- 8) Work is provided within 5 kilometers (kms) radius of the village.
- 9) In case, work is provided beyond 5 kms, extra wages of 10 per cent are payable to meet additional transportation and living expenses.
- 10) Priority is given to women, such that at least one-third of the beneficiaries under the Scheme are women. Efforts should be made to increase participation of the single and the disabled women.
- 11) For all works taken up by the Gram Panchayats, the cost of the material component including the wages of the skilled and semi-skilled workers shall not exceed forty per cent at the Gram Panchayat level.
- 12) Contractors and use of labour displacing machinery are prohibited.
- 13) Payment of wages has to be done on a weekly basis and not beyond a fortnight in any case.
- 14) Payment of wages has to be mandatorily done through bank/post office beneficiary accounts unless exempted by the Ministry of Rural Development.
- 15) Social Audit has to be done by the Gram Sabha at least once in every six months.

#### 5. Permissible Works under the Act

The Act stipulates the permissible works. These include water conservation and water harvesting; watershed management; drought proofing including afforestation; irrigation works; restoration of traditional water bodies; land development; flood control; rural connectivity; development of fallow or waste lands to bring it under cultivation; creating infrastructure for promoting live stocks such as poultry, goat shelter, piggery shelter etc.; rural sanitation related works, such as, individual household latrines, school toilet units, Anganwadi toilets; construction of play fields;

etc. Recent amendment to the Act to permit MGNREGA works on individual land of small and marginal farmers who constitute 89% of the farming community, in addition to the individual land of SC/ST/BPL/IAY land reform beneficiaries will augment the impact on agricultural productivity and household income.

#### 6. Funding Pattern

The legislation details the financing pattern between the Central and the state government and the establishment of the „Employment Guarantee Funds“ at both levels. The Act provides that 60% of the total funds are to be spent on wages and 40% on material cost. The funding is shared between central and state government in the following manner:

##### Central Government:

- The entire cost of wages of unskilled manual workers.
- 75% of the cost of material, including payment of wages to skilled and semi-skilled workers.
- Administrative expenses as may be determined by the central government.
- Expenses of the Central Employment Guarantee Count.

##### State Government:

- 25% of the cost of material, wages of skilled and Semi-Skilled workers.
- Unemployment allowance payable in case the state government cannot provide wage employment in time.
- Administrative expenses of the State Employment Guarantee Council.

#### 7. Performance Evaluation

Starting from 200 districts in February 2006, and extended to all the remaining rural districts from 1 April, 2008, MGNREGA has ensured social protection to a large number of beneficiaries. It provides employment to around 5 crore households, on an average every year. Since its inception MGNREGA has generated 15,575 crore person- days of employment upto December, 2013. From the financial year 2006-07 upto financial year 2013-14 (upto December 2013), over Rs.1, 55,000crore has been spent on wages. The scheme's notified wages have increased across all states since 2006. The average wage earned per beneficiary has risen from Rs.65 per person day to Rs.124 by 2013.

To ensure transparency in wage payments and prevent misappropriations, the Government of India mandated that all MGNREGA wage payments should be made through banks/ post office accounts opened in the name of the worker unless exempted by the Ministry of Rural Development. As a result, nearly 9.3 crore bank/post office accounts of rural people have been opened under MGNREGA and around 80 percent of the MGNREGA payments are made through this route.

Evidence suggests that the MGNREGA is succeeding as a self- targeting programme, with high participation from marginalized groups including the Scheduled Castes (SCs)

and Scheduled Tribes (STs). At the national level, the share of SCs and STs in the work provided under MGNREGA has been high and ranged between 40-60 percent across each of the years of the scheme's implementation. The scheme has also positive impact on the economic wellbeing of the women. From FY 2006-07, up to FY 2013-14 (Dec. 2013), the women participation rate has ranged between 40-51 percent of the total person- days generated, much above the statutory minimum requirement of 33 percent. The NSSO 66<sup>th</sup> round indicated that MGNREGA has reduced traditional wage discrimination in public works.

With its focus on activities related to water harvesting, ground water recharge, drought proofing and flood protection, eco-restoration and sustainable livelihood, MGNREGA has led over the time, to an increase in land productivity and aided the workers in moving from wage employment to sustainable employment. A study conducted by Indian Institute of Science, Bangalore during 2012-13 has indicated that such works taken up under MGNREGA have contributed to improved ground water levels, increased water availability for irrigation, increased area irrigated by ground and surface water sources and improved drinking water sources for humans and livestock.

**Table1:** Financial Performance of MGNREGA from 2006-07 to 2013-14 (up to December 2013)

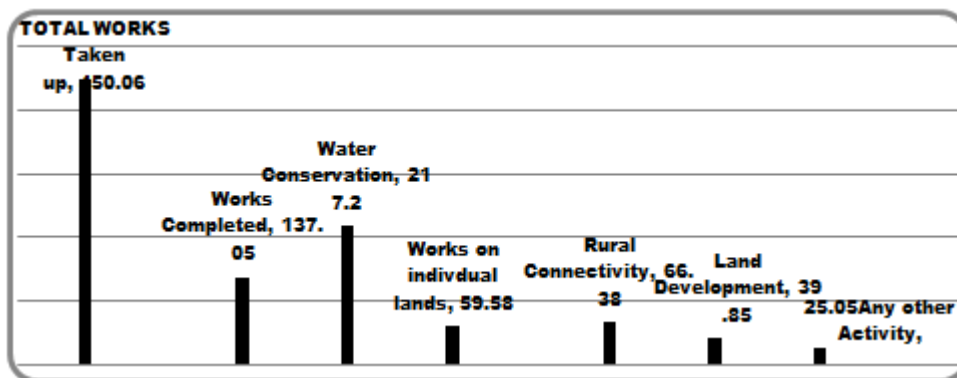
Year	Budget out lay	Central Release	Total available fund including Opening balance	Expenditure against available fund (%)	(Rs in crore Exp. on wages)
2006-07	11300	8640.85	12073.55	8823.35 (73%)	5842.37
2007-08	12000	12610.39	19305.81	15856.89 (82%)	10738.47
2008-09	3000	29939.60	37397.06	27250.100 (73%)	18200.03
2009-10	39100	3350.661	49579.19	37905.23 (76%)	25579.32
2010-11	40100	35768.95	54172.14	39377.27 (73%)	25686.53
2011-12	40000	29189.77	48805.68	33072.82 (76%)	24306.22
2012-13	33000	30009.96	45051.43	39657.04 (88%)	27128.36
2013-14	33000	29885.92	37084.76	24848.75 (67%)	17832.19

Source: <http://mnrega.web4.nic.in/netnrega/all/vl-details-dashboard-new.aspx>

**Table 2:** Physical Performance of MGNREGA (2006-07 to 2013-2014 (Dec. 2013))

	7-Jun	8-Jul	9-Aug	10-Sep	11-Oct	12-Nov	13-Dec	13-14
<b>Total job cards issued in (crore)</b>								
	3.78	6.48	10.01	11.25	11.98	12.5	12.79	12.72
<b>Employment provided to Households (in crores)</b>								
	2.1	3.39	4.51	5.62	5.49	5.06	4.98	3.81
<b>Person days (in crore)</b>								
Total	90.5	143.59	216.32	283.59	257.15	218.76	229.86	134.8
SCs	22.95 (25%)	39.36 (27%)	63.36 (29%)	86.45 (30%)	78.76 (31%)	48.47 (22%)	50.96 (22%)	31.53 (23%)
STs	32.98 (36%)	42.07 (29%)	55.02 (25%)	58.74 (21%)	53.62 (21%)	40.92 (19%)	40.75 (18%)	21.09 (16%)
Women	36.40 (40%)	61.15 (43%)	103.57(48%)	136.40 (48%)	122.74 (48%)	105.27 (48%)	117.93 (51%)	73.33 (54%)
Others	34.56 (38%)	62.16 (43%)	97.95 (45%)	138.40 (49%)	124.78 (48%)	129.38 (59%)	138.14 (60%)	82.18 (61%)

Source: <http://mnrega.web4.nic.in/netnrega/all/vl-details-dashboard-new.aspx>



**Figure 1:** Works Break up Under MGNREGA 2006-07-2013-14 (in Lakhs)  
 Source: <http://mnrega.web4.nic.in/netnrega/all/vl-details-dashboard-new.aspx>

**Table 3:** Performance of MGNREGA during FY 2014-15

		FY 2014-15
Total no of households registered (in crore)		13.2
Total no of workers on job cards (in crore)		28.4
No. of ongoing works (in lakhs)		82.8
Total no of works taken up (New + spill over) in lakhs		89.8
Total Expenditure (in crore)	Wages (in crore)	16046.6
	Material and skilled wages (Rs. in crore)	4957.6
	Administrative Exp.	1081.8
	Labor v/s Material (%)	76.4
Wage Employment provided (in lakhs)	House holds	333.2
	Individuals	491.1
	Men	237.8
	Women	253.2
	SCS	110.3
	STS	90.2
	Person with disabilities	3.5
Person days (in crore)	Person days generated so far	105.3
	SC Person days	24
	ST Person days	17.1
Wages	Average wage rate per day per son	178.2
	Average days of employment provided per Household	31.6
	Total No of HHs completed 100 days of wage Employment (in lakhs)	7.5
	% payment generated within 15 days	20.1
	% payment Disbursed through EFMS	70.9

**Source:** <http://mnrega.web4.nic.in/netnrega/all/vl-details-dashboard-new.aspx>.

Many critics and skeptics of MGNREGA who were extremely vocal during the years leading up to its passage by parliament and in the early years of its implementation have been silenced, especially after it was recognized that the purchasing power the programme created in rural areas and the operation of the Keynesian multiplier played a crucial role in generating demand for industry during the dark day of the recession and assisted in our comparatively faster emergence out of it.

Since the inception of MGNREGA in 2006, Rs.2,66,845.7 crore have been spent on the scheme and 1765.97 crore person days have been generated. Today, (as per e-Muster Roll), 30,09,848 workers are expected on 1,69,303 work sites. MGNREGA has led to major increase in wages of rural workers and when we recognize the fact (attested by NSSO data on „landed laborers“) that the majority of MGNREGA workers are impoverished small and marginal farmers especially in tribal areas, we can see the direct impact MGNREGA has made on raising incomes of our small and marginal farmers.

A comprehensive time series of rural wage data- both agricultural and non- agricultural- put together by the Ministry of Statics and Programme implementation indicates that the advent of MGNREGA has resulted in a significant structural break in rural wage increase. Between 1990 and 2005, pre- MGNREGA, nominal wages in the rural economy grew at an annual rate of 2.7 percent (year on year average). Post- MGNREGA, the rate of average wage increases almost quadrupled to 9.7 percent between 2006 & 2009. And between January 2010 and May 2011, annual nominal wage growth averaged almost 18.8 percent.

The tightening of the labor market post- MGNREGA is a positive Indicator of poverty alleviation and also signals a pressure technology advances that raise farm productivity in areas of relative labor shortage. This is the process of agrarian transformation of the world order.

What is more since a very large proportion (80 percent) of the works under MGNREGA are also focused on soil and water conservation of the lands of the small and marginal farmers, it is clear that MGNREGA is making a potential contribution to raising their incomes through improved agricultural productivity and also reducing the need for small and marginal farmers to continue to work on MGNREGA sites.

## 8. Weaknesses

However, there is no denying the fact that the true potential of MGNREGA as an instrument of rural transformation is yet to be fully realized. Since the programme marks a radical departure from earlier efforts of a similar kind, there have been many problems in infusing the system with a new culture of demand- driven, right- based, decentralized decision making. The MGNREGA provides a historic opportunity for strengthening Panchayati Raj in India, but the experience so far also alerts us to the need for doing much more in this direction.

- Large proportion MGNREGA workers are small and marginal farmers, the productivity of whose lands has been so decimated over the years that they have been compelled to work under MGNREGA. The real success of MGNREGA will lie in raising the agricultural productivity of millions of these farmers who will then be able to return once again to farming and will no longer need to depend on MGNREGA for their survival.
- The single most important distinguishing feature of MGNREGA from employment programmes of the past is that provision of work is triggered by the demand for work by wage- seekers and provided as their legal right. The major weakness so far has been that states have not set up effective systems of recording demand. The new MGNREGA guidelines in operation from the twelfth plan take major steps to overcome this weakness.
- As demand gets better recorded, there needs to be a corresponding increase in supply of work. This requires strengthening of capacities at the cutting edge level of implementation. Unfortunately, the main implementing agency under MGNREGA, the Gram Panchayat, is badly lacking in capacities to plan and implement high quality works under MGNREGA.
- Delays in wage payments have emerged as one of the main weaknesses of MGNREGA over the last seven years. According to section 3 (3) of MGNREGA, „it is essential to ensure that wages are being paid on a weekly basis, and in any case within a fortnight of the date on which work was done“. An important cause for delay of wage payments is non-availability of sufficient funds at district/block/GP level. To tackle this problem, the Ministry of Rural Development has initiated “Electronic Fund Management System (e-FMS), for directly crediting wages into beneficiary accounts using core banking system.

- One of the major causes which have affected the performance of MGNREGA is the large scale corruption at all levels. To strengthen transparency and accountability in the operation of MGNREGA, the Mahatma Gandhi NREGA Audits of Schemes rules have been notified in June 2011. The rules make it necessary to have a social audit conducted by the Gram Saba according to the prescribed procedure under the Act, at least twice a year. All states are required to set up Social Audit units and eight states have set up Social Audit units.

## 9. Suggestions

- The major weakness so far has been that states have not set up effective systems of recording demand. Hence, it is suggested that the states should use effective mechanisms to record demands and empower panchayats to plan and implement new works under MGNREGA.
- The demand for work and supply of work is to be matched and this can be achieved through the preparation of a Labour Budget, which has two sides-one, assessment of quantum and timing of demand for work and two, preparing a shelf of projects to meet this demand in timely manner.
- Delays in wage payments have emerged as one of the main weaknesses of MGNREGA. States must effectively track delays in payment so that effective remedial action can be expeditiously taken when delays are spotted. For this states must develop a customized MIS that enables better tracking of delays.
- An important cause of delays of wage payments is non-availability of sufficient funds at the district/block/gram panchayat level. To tackle this problem, it is to be ensured that the fund is not excess or deficient at any level.
- Another reason for the failure of many Rural Development Programmes is the lack of awareness among the people. Hence, people should be made aware about the impact of these programmes upon their lives so that they are made a part of these programmes.

## 10. Conclusion

Starting from 200 districts in February 2006, and extended to all the remaining rural districts from 1 April, 2008, MGNREGA has ensured social protection to a large number of beneficiaries. It provides employment to around 5 crore households, on an average every year. Since its inception MGNREGA has generated 15,575 crore person- days of employment up to December, 2013. From the financial year 2006-07 up to financial year 2013-14 (upto December 2013), over Rs.1, 55,000crore has been spent on wages. The scheme's notified wages have increased across all states since 2006. The average wage earned per beneficiary has risen from Rs.65 per person day to Rs.124 by 2013. However, there is no denying the fact that the true potential of MGNREGA as an instrument of rural transformation is yet to be fully realized. Since the programme marks a radical departure from earlier efforts of a similar kind, there have been many problems in infusing the system with a new culture of demand- driven, right- based, decentralized decision making. The scheme has been affected by

corruption, delay in wage payment, lack of effective system for recording demand for work etc.

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